

Ontario's property tax credit plan

Ontario has a new Property Tax Credit Plan which will lighten the tax burden on most residents of the province. It replaces the old Residential Property Tax Reduction system which was in effect through the past four years.

In this year of transition from one plan to the other, municipal tax bills are rising and many people do not understand why. The answer is that the increase results in part from the winding up of the old plan. But—for most Ontario residents, at income tax time next spring, new tax deductions or refunds will more than make up for the extra money that is paid out now in municipal taxes.

In this pamphlet we want to explain how the new plan works and answer questions people have been asking.

The new plan means that the majority of the people in the province paying property taxes or rent—even if they only rent a room in a home—will receive more money back than they would have under the old plan. A number of middle-income earners will receive roughly the same amount under the new plan as they did under the old plan, and higher-income earners will receive less.

Provincial Treasurer Darcy McKeough defined the government's goals as:

- fairer distribution of property tax relief, by providing increased aid to low-income families, individuals, pensioners and farmers
- equal treatment of all property taxpayers in similar economic circumstances, wherever they live in Ontario
- broader coverage, providing benefits to roomers, boarders and others who did not benefit in the past
- more selective impact by confining tax relief to each taxpayer's principal residence only and to Ontario citizens only.

The obvious difference to most people is that they have to pay out more money due to higher municipal tax bills this year, and they won't get their offsetting benefit until they file their 1972 income tax returns early in 1973. It is important for municipal taxpayers to understand that the provincial government, in adopting this new and better tax relief system, is responsible for the largest portion of the increases in most 1972 municipal tax bills. It was not possible to give local municipal councils any alternative to including in 1972 tax bills the amount formerly paid by the province.

how the new tax credit plan works

Ontario's property tax credit plan will work through the personal income tax system administered by the federal government. The tax credit benefit will be paid out in the form of an income tax refund or a reduction from income tax otherwise payable. To get this benefit, therefore, every taxpayer must fill out an annual income tax return—including a special extra page for calculating the Ontario property tax credit—and submit it to the Department of National Revenue.

The formula for calculating the Ontario property tax credit for 1972 is simple:

homeowners \$90 plus 10% of property tax paid in 1972, minus 1% of taxable income in 1972. (maximum credit \$250)

renters \$90 plus 2% of rent paid in 1972 minus 1% of taxable income in 1972. (maximum credit \$250)

Persons who pay less than \$90 in taxes or \$450 annual rent will claim exactly the amount they pay in taxes or 20% of their rent, less 1% of taxable income.

Each person filing a tax return must calculate the value of the tax credit he is entitled to, and must sign a declaration of the amount of property tax or rent he actually paid in 1972. To prevent abuses, taxpayers must also be prepared to substantiate this declaration, upon request by the Department of National Revenue, by submitting a tax receipt or a rent receipt. For the 1972 tax year, any genuine receipt or cancelled cheque will be sufficient evidence. In subsequent years, standardized official receipts will be provided for this purpose.

eligibility

Almost all individuals and families who are resident in Ontario on December 31 will be eligible to claim the Ontario property tax credit. Only three categories of residents will be excluded from claiming a credit under the plan:

- children under 16 years as of December 31
- persons under 21 years as of December 31 who live at home and are claimed as dependents for income tax purposes
- residents of homes for the aged, charitable homes, nursing homes and similar institutions which are exempt from property taxation.

To prevent abuses and concentrate tax relief where it is needed most, two additional rules will apply:

- The property tax credit may only be claimed in respect of the principal residence of each individual or family. Taxes or rent paid for a second residence or a cottage will not qualify for tax relief.
- Where a husband and wife both file an income tax return, the Ontario property tax credit must be claimed by the spouse having the higher taxable income.

More details on eligibility, particularly for special cases, will be made available prior to taxfiling time in 1973. In addition, the 1972 income tax return itself will outline fully who is eligible to claim the property tax credit.

impact of the tax credit plan

Ontario's property tax credit plan will provide tax relief, based on ability to pay.

- Families and individuals whose incomes are low enough that they do not pay income tax, will receive tax credit refunds of at least \$100, and in most cases, substantially more.
- Middle-income taxpayers will get approximately the same tax relief as under the former tax reduction program. For example, the property tax credit will be about \$70 for a single person earning \$7,800, a couple with an income of \$9,400 or a family of four living on \$10,800.
- High-income taxpayers (those earning approximately \$20,000 or more) will receive no benefits from the new plan.
- Pensioners and farmers will continue to benefit from special provincial tax relief programs—the farm tax rebates and the supplementary tax relief grants to Guaranteed Income Supplement pensioners—in addition to the property tax credit plan.

Why has my 1972 property tax bill gone up so much?

The Provincial tax reduction grant (which landlords were required to rebate to tenants) has been discontinued in 1972, causing tax bills to rise across the province by an average of \$70. In addition, the 1972 budget of your municipality may include a tax increase to finance additional or superior levels of local services.

Why has the Ontario Government replaced the property tax rebate scheme with a tax credit under the income tax system?

The Ontario Government is committed to the goal of a fairer distribution of property tax burdens. The best way to achieve this objective is to introduce tax credits which concentrate tax relief where it is needed most.

What is this new plan costing the Ontario Government?

The new Property Tax Credit Plan will cost the Ontario Treasury over \$160 million. This is a larger amount than that paid out under the old Residential Property Tax Reduction system.

If I don't have to pay income tax, do I still have to file a tax return?

In order to claim your property tax credit, you must file a 1972 income tax return. You will receive a refund of the entire amount of your property tax credit.

I share an apartment with two other persons. Can each of us claim the entire rent in our tax credit calculation?

No. Where accommodation is shared, the total rent claimed for purposes of the tax credit may not exceed the total rent actually paid. One tenant may claim the entire rent and divide up a single tax credit refund, or each tenant may claim his proportion of the total rent paid and get a separate tax credit refund.

What is included in rent payments and in property tax bills?

Rent covers all payments to your landlord for your accommodation including parking, but does not include any payments for meals or board. Property tax covers all items on your property tax bill, including local improvement assessments.

I pay a lump sum for my room and meals. How do I determine how much of it I can claim as rent?

Your landlord will be required to provide you with a receipt showing the rental portion of your payment.

Do university students qualify for the tax credit?

Yes. All post-secondary students may claim the tax credit for their accommodation costs except if they live at home. Students living in college residences will be limited to a claim of \$25 as the property tax paid for such accommodation. Students living off campus will qualify for the tax credit in the same way as ordinary renters.

My property tax payment is included in my monthly mortgage payment. How do I claim for the tax credit?

The person or agency holding your mortgage (trust companies, insurance companies, banks) will submit to you a record of the amount of property tax that has been paid on your behalf and you will claim this amount in your tax credit calculation.

What do I claim as my property tax credit if I rent an apartment for part of the year and own a home for the rest of the year?

In calculating your tax credit, you should include both the rent you actually paid in the apartment and your prorated share of the property tax bill on the home. Thus, if you moved at the end of June, you would include six month's rent plus half of the annual property tax bill.

Will I get two refunds from the Department of National Revenue, one for my income tax overpayment and one for my property tax credit?

No. The Ontario tax credit refund will be fully incorporated within the income tax refund system. The special form for calculating the Ontario tax credit, however, will indicate how much of your total income tax refund comes from the property tax credit financed by the Ontario Government.

for further information write to
or telephone

The Ministry of Treasury, Economics and Intergovernmental Affairs
Municipal Subsidies Branch
801 Bay Street, Toronto 181
(416) 965-3500

illustration of property tax relief in 1972

Taxable income used in calculating the property tax credit takes into account

- new levels of personal exemption
- \$100 standard deduction
- 3 per cent employment expense deduction
- 6 per cent pension contribution

note

Pensioners in receipt of Guaranteed Income Supplement will continue to receive additional tax relief grants of \$50 to \$100.

family of four

gross income	assumed gross property tax	new property tax credit plan
\$3,000	\$300	120
4,000	300	119
5,000	330	94
6,000	330	84
7,000	330	75
8,000	360	68
9,000	370	60
10,000	420	56
12,000	480	43
15,000	555	22
20,000	680	0
25,000	730	0

single taxfiler

gross income	assumed gross property tax	new property tax credit plan
\$3,000	\$300	\$109
4,000	300	100
5,000	330	94
6,000	330	84
7,000	330	75
8,000	360	68
9,000	370	60
10,000	420	56
12,000	480	43
15,000	555	22
20,000	680	0
25,000	730	0